

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY)
UTILITIES, INC. FOR ADJUSTMENTS)
OF RATES, FOR CHANGES IN RULES)
AND REGULATIONS, AND APPROVAL)
FOR INDEBTEDNESS PURSUANT TO)
KRS 278.300)

CASE NO. 90-002

MEMORANDUM OF UNDERSTANDING

WHEREAS, East Kentucky Utilities, Inc. ("East Kentucky")
filed on January 2, 1990 an application seeking approval of:

1. Increased gas rates to produce additional revenues of
\$229,654.00;
2. Changes in rules and regulations; and
3. Approval of indebtedness pursuant to KRS 278.300;

WHEREAS, the Commission Staff filed on June 1 a Staff
Report recommending additional revenues of \$88,080.00; and

WHEREAS, at an informal conference on July 19, 1990 East
Kentucky and Staff reached a settlement on all matters and issues
in this case;

NOW, THEREFORE, BE IT RESOLVED that:

1. East Kentucky and Staff agree that the revenue
requirements determination in this case will be based upon the
adjustments set forth in the Staff Report with the following
exceptions:

(a) Account 923 - Outside Services, \$500.00 for legal

expenses will be allowed;

(b) Account 931 - Rents, the shop and land lease will be allowed at the contract rent of \$575.00 per month;

(c) Transportation Expense, to be increased \$1,560.00 to recognize new leases net of anticipated maintenance savings utilizing new vehicles;

(d) Account 408 - Taxes other than income; the 1990 assessment rate will be used;

(e) Revenue requirements will be based on a coverage allowance of ten percent of gross revenue in accordance with the existing bond provisions, except to the extent that the Department for Local Government refinances East Kentucky's outstanding debt, a coverage allowance of three percent will be utilized in accordance with Department for Local Government note, mortgage and security agreements;

(f) Drug testing in the amount of \$1,050.00 will be an allowable rate-making expense;

(g) East Kentucky will be allowed to recover over an estimated five-year period the cost of a main extension to serve three existing customers whose supply is threatened at an estimated cost of \$12,000.00 to be repaid by _____ per Mcf until fully paid.

2. East Kentucky will promptly amend its pending application to include a request for approval of refinancing now pending before the DLG, and will promptly inform the Commission of the actions taken by DLG at its July 27, 1990 meeting.

3. Staff will revise its revenue requirements recommendation to reflect any refinancing approved by DLG.

4. East Kentucky and Staff agree to enter into a Settlement Agreement incorporating the terms of this Memorandum of Understanding and setting forth in greater detail the revenue requirements agreed upon at the July 19, 1990 conference.

East Kentucky Utilities

Commission Staff

By:

Michael L. Judy

Hon. Michael L. Judy
Stoll, Keenon & Park
326 West Main Street
Frankfort, Kentucky 40601

(Date)

July 27, 1990

By:

Richard G. Baff

Hon. Richard G. Baff
Staff Attorney
P. O. Box 615
Frankfort, Kentucky 40601

(Date)

July 27, 1990

EAST KY. UTILITIES
CASE NO. 90-002
REVENUE REQUIREMENT DETERMINATION
TEST YEAR = 1988

79 BOND ORDINANCE

WP#	INCOME:	1988 ACTUAL	STAFF ADJ.	STAFF REPORT	SETTLE ADJ	SETTLE NORMAL	RATE INCREASE	SETTLEMENT PROFORMA
1	GAS SALES	652,643	(31,636)	621,007		621,007		
1	PENALTIES	6,375	0	6,375		6,375		
1	SERVICE CHRG.	550	150	700		700		
1	INTEREST INC.	3,703		3,703		3,703		
	TOTAL INCOME	663,271	(31,486)	631,785		631,785	123,146	754,931
	EXPENSES:							
2	PURCHASED GAS	431,251	(50,963)	380,288		380,288		
3	SERVICE LABOR	55,299	8,033	63,332		63,332		
4	SERVICE SUPP.	6,450	(232)	6,218		6,218		
3	MAINT OF LINES	350	(350)	0		0		
3	MAINT. OF METERS	1,026	(1,026)	0		0		
5	ACCOUNTS SUPPLIES	6,776	420	7,196		7,196		
6	UNCOLLECT. ACCTS.	2,933	1135	4,068		4,068	807	
3	A & G SALARIES	46,537	5,056	51,593		51,593		
7	OFFICE SUPP. & EXP	8,181	(333)	7,848		7,848		
8	OUTSIDE SERVICES	11,271	(604)	10,667	1,550 (1)	12,217		
9	INSURANCE	3,541	0	3,541		3,541		
10	EMPLOYEE BENEFITS	15,639	2,019	17,658		17,658		
11	REG. COMM. EXP.	10,425	(8,758)	1,667	3,136 (2)	4,803		
12	MISC. GEN. EXP.	477	(210)	267		267		
13	RENTS	12,360	(2,460)	9,900	3,120 (3)	13,020		
14	TRANSP. EXP.	15,795	0	15,795	1,560 (4)	17,355		
15	INTEREST EXP.	50,848	9,407	60,255		60,255		
16	DEPRECIATION EXP.	36,875	2,936	39,811		39,811		
17	OTHER TAXES	9,816	1,378	11,194	(150) (5)	11,044	150	
18	LINE EXTENSION				3,203 (6)	3,203		
		725,850	(34,552)	691,298	12,419	703,717	957	704,674
	NET INCOME	(62,579)	(3,066)	(59,513)	(12,419)	(71,932)	122,188	50,256
	REV. REQ. :							
	OPER EXP	643,462						
	DEBT SERVICE	76,555						
	DEPRECIATION	(39,811)						
	SUB TOTAL	680,206						
	LESS:							
	10% X 79 BOND D.S.	(1,725)						
	SUBTOTAL	678,481						
	GROSS-UP	0.90						
	SUBTOTAL	753,868						
	NORMALIZED REV	(631,785)						
	SUBTOTAL	122,083						
	UNCOLL/PSC GROSSUP	1.008703						
	TOTAL INCREASE	123,146						

CASH FLOW

NET INC. 50,256
+DEP. 39,811
SUB. TOT 90,067
PRINCIPAL (16,300)

CASH FLOW 73,767

SETTLEMENT ADJUSTMENTS:

1. ADDITIONAL \$1050 FOR DRUG TESTING; \$500 FOR LEGAL
2. PROVIDE FOR TOTAL INVOICED RATE CASE EXPENSE OF \$14410 AMORTIZED OVER 3 YEARS
3. ALLOW ADDITIONAL \$315/MONTH FOR SHOP/STORAGE RENT
4. ALLOW ADDITIONAL TRANSPORTATION FOR VEHICLE RENTAL
5. REDUCTION IN PSC ASSESSMENT TO REFLECT LATEST ASSESSMENT
6. ALLOW ESTIMATED COSTS OF LINE EXTENSION

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 90-002 DATED October 10, 1990.

The following rates and charges are prescribed for the customers served by East Kentucky Utilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

CURRENTLY EFFECTIVE BILLING RATES

RATE SCHEDULE

For All Residential and Commercial Purposes

First 1 MCF	\$9.4620 Per MCF
Over 1 MCF	6.5071 Per MCF
Minimum Bill	9.46

A rate adder of \$.02742 per MCF is approved to cover the cost of main extension. This adder will be charged by East Kentucky until the total cost of the main extension has been recovered, a period of approximately 5 years.

RULES AND REGULATIONS

1. A reconnection charge of \$35.00 shall be paid before service is restored following disconnection for non-payment of bill.
2. The reconnection charge for customers who request discontinuance of service and subsequently re-establish service at the same premises within twelve (12) months is \$50.00.
3. The transfer of service charge for customers moving from one location to another is \$25.00.
4. A service charge of \$15.00 will be made to collect a delinquent bill after written notice has been mailed to the customer stating that the bill is delinquent. Failure to pay the account at this time will result in termination of service.

5. A service charge of \$20.00 will be made to any customer whose check is returned from the bank for insufficient funds. The account shall be considered in arrears and subjection to termination.
6. Mobile trailers shall be considered temporary service and subject to a connection charge of \$75.00. If service line, meter loop, etc., are in place, the charge shall be \$25.00.